



July 2, 2007

Reply to Attn of: OP-AM (07-013)

TO: All Kennedy Space Center Purchase Card Holders and
Approving Officials

FROM: OP/Director, Procurement Office

SUBJECT: Purchase Card Audit Results, Fiscal Year (FY) 2006

This report provides results of the FY 2006, Technical Purchase Card audit for Kennedy Space Center (KSC). The audit was conducted by representatives from the Procurement Office (OP), Logistics and Services Branch (TA-E), and Information Technology and Communications Services Office (IT). A review of account and transaction activity was accomplished using reports from the P-Card Web Solution software and through direct review of transactional data within the order log records. Please refer to the Audit Plan (Enclosure 1) for more details.

The scope for the FY 2006 audit included purchase card activity for the entire year with a concentration on identifying questionable purchases and compliance with Purchase Card, Government Property, and IT guidance. Additional objectives of this review include ensuring that purchase cards are only issued to employees with a demonstrated need, that purchasing limitations were suitable, and to identify evidence of fragmenting or splitting of requirements.

This audit identified Cardholders showing little or no purchasing activity during FY 2006. The Center's Purchase Card Coordinator sent an e-mail to these Cardholders inquiring whether they still require a purchase card. Cardholders who no longer need the purchase card or cannot adequately justify the retention of the purchase card had their accounts closed. Subsequently, 29 purchase card accounts were closed.

In November 2006, mandatory training was conducted and all Cardholders and Approving Officials were required to attend. This training discussed general Purchase Card requirements as well as recent findings from an Office of Inspector General (OIG) Audit and changes in the Purchase Card Program at KSC.

In addition to this yearly audit, the Purchase Card Coordinator reviews purchase card activity on a monthly basis during statement reconciliation for any potential cases of fragmenting purchases to circumvent the micro-purchase threshold. TA-E will also be

conducting quarterly audits to ensure that procedures regarding sensitive items are being followed.

Additional audit findings and observations are as follows:

Observation:

The NASA-KSC Property Office (TA) conducted an audit to ensure that:

1. Property being ordered meets the criteria for tagging.
2. Did the cardholder assure the property went through Space Gateway Support (SGS) Receiving Office for tagging and input?

The audit results concluded that most cardholders are cognizant of the need to assure property is routed through SGS Receiving. There were several instances of items not being tagged properly. These items were followed-up on and subsequently tagged. Please see Enclosure 2 for the full Property Audit.

Finding 1:

The audit revealed a failure of four cardholders to obtain proper special approval before purchasing such items as coffee makers, televisions, and DVD players.

Corrective Action 1:

A letter was sent to the Approving Official of those in violation, recommending that they consult with these individuals on the proper use of appropriated funds. These cardholders were also placed on a 60-day probationary period for failure to comply with KSC policies and procedures. A reminder e-mail was also sent to all Cardholders on this subject.

Finding 2:

The audit revealed failure of some cardholders to document order logs with information regarding the purchase and any approvals obtained in accordance with NASA Federal Acquisitions Regulation (FAR) Supplement 1813.301. Documentation of order logs aids in determining whether a purchase is proper or improper. Failure to document order logs draws unneeded scrutiny to an otherwise correct and proper purchase.

Corrective Action 2:

A reminder e-mail will be sent to all cardholders and this topic will be reinforced in future training. The Purchase Card Coordinator is actively looking at order logs before they are reconciled to ensure that comments are being added to the order log. If there is a cardholder that is consistently not adhering to policy, they will be placed on probation or have their purchasing privileges suspended or revoked.

Finding 3:

The audit revealed one cardholder who purchased clothing without receiving any prior approval. The General Accountability Office (GAO) considers clothing to be the employee's personal expense and has stated, "every employee of the government is required to present himself for duty properly attired according to the requirements of his position." 63 Comp. Gen 245 (1984). Title 5, U.S. Code § 7903, provides that

“[a]ppropriations available for the procurement of supplies and material or equipment are available for the purchase and maintenance of special clothing and equipment for the protection of personnel in the performance of their assigned tasks...” In order for an item to be authorized by section 7903, it must satisfy three tests: (1) the item must be “special” and not part of the ordinary and usual furnishings an employee may reasonably be expected to provide for himself; (2) the item must be for the benefit of the government, that is, essential to the safe and successful accomplishment of the work, and not solely for the protection of the employee; and (3) the employee must be engaged in hazardous duty.

Corrective Action 3:

The Director of the Organization as well as the cardholder was sent a letter requesting reimbursement to the government. The KSC Legal office determined that this item was not converted to personal use and therefore no reimbursement is required.

Finding 4:

The audit revealed that several cardholders continued to pay taxes for purchases made on the Government Purchase Card. FAR 29.302 states that (a) generally, purchases and leases made by the Federal Government are immune from State and local taxation and (b) when it is economically feasible to do so, executive agencies shall take maximum advantage of all exemptions from State and local taxation that may be available.

Corrective Action 4:

The cardholders returned to the vendors to receive credit for the taxes paid. If the cardholder was unable to receive credit, they were required to reimburse the government. Additionally, all cardholders have received another copy of the KSC Tax Exemption Certificate.

Finding 5:

There was one cardholder who did not keep the receipts/invoices for the purchases made. Cardholders must retain all purchase card records for three (3) years, in accordance with the Records Retention Schedule 5 (NASA Procedural Guideline [NPG 1441.1, Item 1A.b]).

Corrective Action 5:

The cardholder was counseled on the importance of keeping all receipts and invoices. The cardholder was also placed on a 60-day probationary period for failure to comply with policy.

Finding 6:

A random sample of twenty items was selected from all the items identified as Electronic and Information Technology (EIT). Ten items were selected from those items marked not Section 508 compliant and ten items were selected from those items marked as Section 508 compliant. It was found that purchase cardholders are diligent in identifying EIT, determining Section 508 compliance, and considering ODIN, which was consistent with FY 2005. Purchase cardholders also continue to over-identify EIT. In this sample,

40 percent of the line items were misidentified as EIT, as opposed to 25 percent in FY 2005. It was also found that purchase cardholders made reasonable determinations of Section 508 compliance in all cases, which is an improvement from FY 2005. Purchase Cardholders also documented their ODIN due diligence in the comments for 30 percent of the line items. This is an improvement from FY 2005, in which it was zero percent.

Please see the complete IT audit (Enclosure 3) for more information.

Corrective Action 6:

Training is the most reasonable approach to improve performance of Purchase Cardholders with regard to EIT. Training was given to all Purchase Cardholders and Approvers in FY 2007 regarding ODIN due diligence, 508 compliance and EIT information. Training materials were posted to the KSC Purchase Card website. Early indications of improved compliance with Purchase Card requirements show this training was highly effective.

Summary of Audit:

To a high degree, the KSC Technical Purchase Card Holders are following operating policies and guidelines. While there were a few cases of questionable purchases that required corrective action, it does not appear that KSC's Purchase Card Program is experiencing systemic material deficiencies as a whole. However, to ensure a continued compliant and successful program, monthly reviews and yearly audits are performed and additional training will be delivered as necessary to increase knowledge and skill-level in P-Card Web Solution, and to reinforce compliance of all program requirements. Consequently, the Purchase Card Coordinator will continue to sensitize KSC Purchase Card Holders and Approving Officials of the importance of complying with all requirements and advise them to take advantage of all training and learning opportunities.

No Directorate is required to respond in writing to this audit report. Questions in response to this audit should be sent to OP-AM, Cicely Simmons, Purchase Card Coordinator at 867-3912.


Dudley R. Cannon, Jr.

3 Enclosures:

1. FY 2006 Audit Plan
2. FY 2006 Purchase Card EIT Audit Report
3. Property Audit Results

Fiscal Year (FY) 2006 Audit Plan

Audit Scope:

The scope for the FY 2006 Audit will include Bankcard activity for the entire year with a concentration on purchases made June through September 2006, when purchasing activity was at its highest volume. The Center Purchase Card Coordinator (APC) will compile the results of the FY 2006 audit into a final report.

Audit Objectives:

Objective 1 - Account Activity Reviews:

1. Issue bankcards only to employees with demonstrated need.

Bankcards are issued to individuals who submit a written request identifying a justifiable need with concurrence by their supervisors. The audit will identify Cardholders showing little or no purchasing activity. The Center APC will send an e-mail to these Cardholders inquiring whether they still require a bankcard. Cardholders who no longer need the bankcard account or cannot adequately justify the retention of the bankcard will have their accounts closed.

Objective 2 – Transaction Reviews:

1. Ensure that only appropriate items are requisitioned.

Cardholder responsibility is emphasized as it relates to use of the card and conformance to current regulations and Center policies. The Bankcard Homepage provides Cardholders with links to job aids, source selections guidelines, restricted and sensitive item guidance, etc. The audit will concentrate on charges for items restricted for use by Center policies, purchases from specialty vendors e.g. florists, restaurants, jewelry stores) etc. Item descriptions, categories and justifications in comments field will also be reviewed.

2. Ensure that proper documentation is being kept

Cardholders are responsible for keeping all receipts and invoices associated with an order. All of these receipts should be kept for three years in accordance with the Records Retention Schedule 5 (NPG 1441.1, Item 1A.b). Cardholders should also annotate the comments section in the order log when an approval is received to buy a restricted item (i.e. TV's, DVD players, VCR's, microwaves, refrigerators, coffee makers, food, etc.).

3. Ensure proper tagging of sensitive items

Cardholders are responsible for ensuring appropriate tagging of sensitive items or equipment. A Sensitive Item is any item of equipment which, due to its pilferable nature or the possibility of its being a hazard, requires a stringent degree of control.

Generally, sensitive items are controlled at an acquisition cost of \$500 or more and must be tagged in accordance with receipt and inspection procedures. For Sensitive Items with a value of less than \$500, a NASA Form 1517, *Property of U.S. Government*, decal, should be obtained from their Property Custodian.

4. Electronic and Information Technology Items/ 508 Compliance Audit

When procuring, developing, maintaining or using Electronic and Information Technology (EIT) agencies must ensure that employees with disabilities have access to and use of information and data that is comparable to that for other employees; and members of the general public with disabilities seeking information or services from an agency have access to and use of information and data that is comparable to that for members of the public without disabilities.

Section 508 (found at 29 U.S.C. 794d) refers to a section in the Rehabilitation Act of 1973, which was amended by the Workforce Investment Act of 1998 (P.L. 105-220). Its primary purpose is to provide access to and use of Federal executive agencies' EIT by individuals with disabilities. The statutory language of Section 508 can be found at <http://www.section508.gov>. Starting April 1, 2005, micro-purchases (generally those purchases made through the P-Card process) are required to conform to Section 508 of the Rehabilitation Act.

In addition Cardholders are responsible for ensuring that ODIN is considered as the primary source for platforms with ODIN equivalents (desktops, laptops, workstations, and network printers), and for the augmentation of ODIN seats as in accordance with KDP-KSC-P-1838.

Audit Process:

The Center APC will accomplish the Account Activity Review objective using the P-Card Software which allows one to see how many transactions were made during the fiscal year and the dollar amount of the transactions for each cardholder.

Parts 1 and 2 of the Transaction Activity Review will be conducted by the Center APC with assistance from personnel in the Procurement Policy Office. Transactions will be reviewed using the P-Card Software which allows one to see detailed information about Order Logs and Transactions. All cardholders with transactions will be audited.

Part 3 of the Transaction Activity Review will be conducted by the KSC Property Office. A listing of order logs containing sensitive items will be given to the KSC Property Office so that they can ensure these items have been tagged.

Part 4 of the Transaction Activity Review will be conducted by the Information Technology Directorate. Using a sampling method, 30-50 line items will be selected and audited. Cardholders will be required to provide documentation on the selected line items in order to ensure compliance with the regulations.

**Fiscal Year (FY) 2006 Purchase Card Electronic Information and Technology (EIT)
Audit Report**

A random sample of twenty items were selected from all the items identified as EIT. Ten items were selected from those items marked not Section 508 compliant and ten items were selected from those items marked as Section 508 compliant.

Conclusions:

Purchase cardholders are diligent in identifying EIT, determining Section 508 compliance, and considering ODIN. This is consistent with FY 2005.

Purchase cardholders continue to over-identify EIT. In this sample, 40% of the line items were misidentified as EIT. This is a downturn from FY 2005.

Purchase cardholders made reasonable determinations of Section 508 compliance in all cases. This is an improvement from FY 2005.

Purchase cardholders documented their ODIN due diligence in the comments for 30% of the line items. This is an improvement from FY 2005.

Recommendation:

Training is the most reasonable approach to improve performance of purchase cardholders with regard to EIT.

Action:

Training was given to all purchase cardholders and approvers in FY 2007. Training materials were posted to the KSC purchase card web site.

November 13, 2006

Dave and Becky,

Here are the results of my analysis on the Government Charge Card Purchases for this past year.

My full universe consisted of 1,718 purchases; however, I excluded all training request purchases, which left me a universe of 857 items. I conducted a physical inventory on these 34 items, which were randomly chosen. All items analyzed were physically touched, except for 1 which was located at Vandenberg AFB, CA, a picture of the item was sent to me showing that this item existed in a building located on site.

I found 7 property custodians who had purchased items on their Government credit card where some of the property required NEMS tagging, due to being on the sensitive item list, but were not tagged. However, during my audit, I did receive ECN's on some of the property, which is reflected on my spreadsheet. I am still waiting on ECN's on a few items and I will follow-up to ensure that the remaining items are tagged appropriately.

All items analyzed were being utilized and were maintained accordingly.

Enclosed, you will find my results of this analysis. If you have any further questions, please feel free to contact me @ 861-0097.

Thanks,

Patricia Snooks

Enclosure